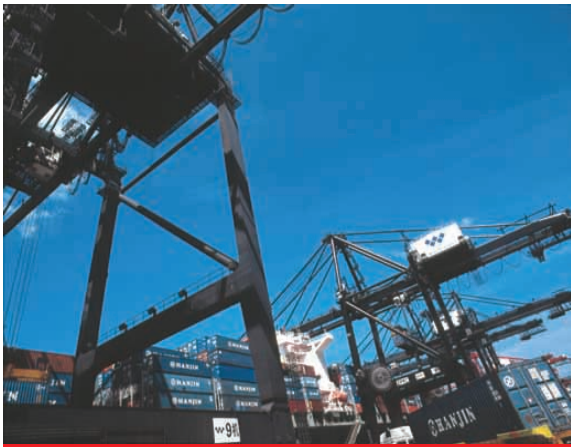
Infrastructure



CSX World Terminals operates Berth 3, one of the world's most productive terminals, at Kwai Chung Container Port, Hong Kong.

This financial year, while surmounting problems, the Infrastructure operations showed resilience and attained solid performance from all divisions. The Roads and Bridges Division experienced travel restrictions due to SARS and the suspension of tolls for three bridges. The Energy Division maintained performance on balancing a government tariff cut with higher energy generation levels. Water Treatment and Waste Management expanded its portfolio with the RMB360 million purchase of a water plant in Chongqing and an RMB125 million acquisition of a water plant in Qingdao. The Container Handling and Logistics and Warehousing Division maintained growth by the contribution from the operations in both Hong Kong and Mainland China.

Roads and Bridges Division

Though the performance of the Roads and Bridges Division was affected by SARS in second half of FY2003, the overall result was outstanding due to the prominent traffic growth in expressway projects and one-time windfall gain.

The average daily traffic flow of Guangzhou City Northern Ring Road ("GNRR") dropped slightly by 3% to 117,217 vehicles per day. GNRR results were affected by a reduction in interest income due to gradual repayment of the Group's investment. The reduction was balanced by a withholding tax refund of some HK$8.4 million in December 2002 and a decrease in operating expenses, which led to an increase in overall contribution.

The contribution from Bridges Division was insignificant in FY2003. This was primarily due to the cessation of the toll collection right at Yangtze River Bridge No. 2 as of 1 October 2002. The negotiation with the Wuhan City Government for compensation for the cessation in toll collection is in progress.

Energy Division

Despite tariff reductions of 24% and 21% at Zhujiang Power Station Phase I and II respectively, which was made retroactive to July 2002, a rise in the attributable profit of Phase I since January 2002 and a rise in sales volume at Phase II offset most of the impact of tariff reductions. The Energy Division also benefited from the gain on the disposal of an effective interest of 1.35% in Companhia de Electricidade de Macau — CEM, S.A. ("Macau Power") to China Power International Holding Limited in May 2003.

Zhujiang Power Station has the largest power generation capacity in our Energy Division.

The Energy Division is currently improving efficiency to counter tariff reductions. The Division is likely to be stable in the coming year as tariff reductions are offset by growth in demand. To capture the growth opportunity, new capacity of 135MW was added to the Macau Power, which inaugurated Coloane B Power Station, a facility equipped with environmental-friendly power generation technologies.

Water Treatment and Waste Management Division

In FY2003, a share of a specific provision of HK$15 million was made for under-performing projects, and a fall in profit contribution from Shenyang Public Utility Holdings Company Limited, which disposed all water plants after its restructuring. New projects in Qingdao and Chongqing came on stream to mitigate the downward effect. The projects commenced operation in August 2002 and November 2002 respectively.

The Macao Water Supply Company Limited remained the top profit contributor in the Division. Water sales increased by more than 2%, compared to FY2002. During the year, this Division explored new opportunities in the waste management sector. The Division invested in a Sino-foreign equity joint venture to provide waste treatment and related services to industries in the Shanghai Chemical Industrial Park and certain areas of Pudong in Shanghai.

Container Handling and Logistics and Warehousing Division

This financial year, the Container Handling and Logistics and Warehousing Division maintained its growth trend despite the economic downturn in Hong Kong and the SARS impact. The robust state of the container handling business in both Hong Kong and Mainland China was the key contributor to expansion. Hong Kong port operations held stable during the year and a rise in container handling activities was registered in the ports of Xiamen and Tianjin. Finally, the Division's ability to invest in, manage or operate ports businesses, either handling all areas or focusing on a single area, presents a significant strategic advantage.

ATL Logistics Centre is the world's first and largest intelligent multi-storey drive-in cargo logistics centre.

Hong Kong is a key profit contributor and Mainland China projects have steadily improved contributions. The Division's strategy is to follow through on a business model that entails expansion in Hong Kong with the completion of Container Terminal No. 9 and builds on existing operations in Xiamen and Tianjin. In the future, the Division will shift more attention to Mainland China by investing in profit generating projects.